

Message Text

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70

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TAGS: BTRA, EIND, AR

SUBJECT: FOREIGN INSURANCE COMPANIES IN ARGENTINA

REF: A) STATE 216190, B) BA-8183

1. EXECUTIVES OF AMERICAN INTERNATIONAL UNDERWRITERS (E.A.G. MANTON, ARTURO TORRO, AND RON SCHELP) MET WITH ECONOMIC COUNSELOR NOVEMBER 14 TO REVIEW SITUATION OF FOREIGN INSURANCE COMPANIES IN ARGENTINA. THEIR IMMEDIATE CONCERN WAS POSSIBILITY THAT PROVISION IN NEW FOREIGN INVESTMENT LAW (BA-8183) DEFINING "NATIONAL" COMPANY AS ONE WITH LESS THAN 20 PERCENT FOREIGN CAPITAL, COMBINED WITH SECTIONS OF EXISTING ARGENTINE INSURANCE LAW WHICH RESERVE SOME MAJOR TYPES OF INSURANCE FOR ARGENTINE FIRMS, COULD, IF STRICTLY INTERPRETED AND ENFORCED, REQUIRE FOREIGN COMPANIES TO LIQUIDATE PART OR ALL OF THEIR INTEREST IN LOCAL SUBSIDIARIES. RELATIVELY LOOSE INTERPRETATION OF EXISTING INSURANCE LAW UP TO NOW HAS APPARENTLY PERMITTED THESE LOCAL SUBSIDIARIES CONSIDERABLE FREEDOM TO OPERATE IN THESE AREAS, EVEN WHEN FOREIGN PARENT COMPANY OWNS MAJORITY SHARE OF LOCAL FIRM.

2. MANTON STRESSED THAT PRIMARY INTEREST OF US COMPANIES AT THIS POINT IS TO MAINTAIN THEIR PRESENCE IN ARGENTINA, EVEN IF THIS REQUIRES CURTAILMENT AND SOME LOSSES IN THEIR OPERATIONS, IN
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ANTICIPATION OF IMPROVED CONDITIONS IN THE FUTURE. THEY THEREFORE

DO NOT WISH TO INITIATE ANY ACTION AT THIS TIME BUT INSTEAD PREFER TO WAIT AND SEE HOW THE INVESTMENT LAW WILL BE IMPLEMENTED. HE NOTED, HOWEVER, THAT IF THE COMPANIES FOUND THEMSELVES FACED WITH A SITUATION APPROACHING CONFISCATION, THEY WOULD SEEK AND EXPECT TO RECEIVE STRONG OFFICIAL SUPPORT.

3. US EXECUTIVES NOW APPEAR LESS CONCERNED ABOUT DRAFT INSURANCE LAW RECENTLY PROPOSED BY NATIONAL SUPERINTENDENT OF INSURANCE, WHICH WOULD GO BEYOND CURRENT LAW IN RESTRICTING OPERATIONS OF FOREIGN AND ARGENTINE COMPANIES. THEY POINT OUT THAT NEW LAW STILL ONLY IN PROPOSAL STAGE, AND EXPRESSED SOME OTIMISM, APPARENTLY BASED ON DISCUSSIONS WITH LOCAL REPRESENTATIVES, THAT IT WILL NOT GO BEYOND THAT STAGE IN PRESENT FORM. THEY SAID ARGENTINE COMPANIES ALREADY HAVE MADE STRONG PROTEST AGAINST PROPOSAL AND THAT PRESENT SUPERINTENDENT OF INSURANCE, WHO IS PRIMARILY RESPONSIBLE FOR PROPOSAL, IS LIKELY TO BE REPLACED SOON.
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